



**OFFICE OF THE
TOWN ADMINISTRATOR**

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FY2013 Budget Message - Revised

INTRODUCTION

It is with humble respect that I submit a balanced Fiscal Year 2013 (FY13) Operating Budget and Capital Plan for the Town of Grafton. Consistent with Article 6-3 of the Grafton Home Rule Charter, I have prepared this message to outline the financial plan of the Town for the ensuing fiscal year including all expenditures and revenues, describe important features of the budget, indicate major variations from the current year financial plan, and summarize the Town's debt position. This will include an historic perspective with comparative data to help residents understand Grafton's financial position. Please note the Governor's proposed budget is being used for local aid numbers.

This budget is reflective of the priorities of the community in a time of limited growth in resources. All departments should be recognized and congratulated for their submissions. While they all have diverse needs, they have managed to submit reasonable budgets that detail their operational goals and objectives. Review and consideration was given to each request, however adjustments had to be made. Not all requests were funded.

The Town's major budgeting priorities include: Education, Public Safety, Public Works, Health and Human Services, Culture and Recreation and General Government. This financial plan includes spending \$45,182,956 or \$2,474,265 more than FY12. This represents an increase of 5.79%. Revenues are expected to stay relatively flat with the exception of the allowance under Proposition 2 ½ and a small increase in aid from the Commonwealth of Massachusetts. Estimates for State Aid have been used based on the Governor's budget proposal published in January 2012. Therefore, this budget plan remains flexible to deal with any changes in the final State budget.

General Financial Conditions

As the global and national economies continue to contain more weaknesses than strengths, I am proud to report that the Town of Grafton remains in a strong financial position. This is a result of prudent decisions of Town Meeting and the Board of Selectmen, coupled with sound day-to-day management of Town operations.

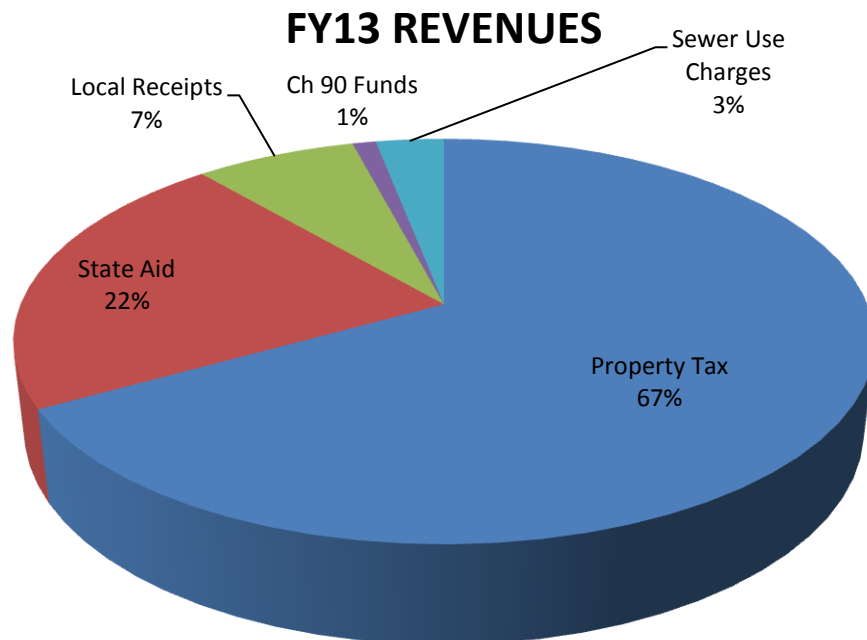
Currently the Town enjoys total reserves of \$6,793,000 as follows:

FUND	AMOUNT
Free Cash	\$3,289,000.00
Stabilization	\$3,125,000.00
Municipal Capital Stabilization	\$379,000.00
TOTAL RESERVES	\$6,793,000.00

These reserves represent 14.79% of the total FY13 budget as presented. Prudent financial management like this enhances our long term fiscal stability. This has led to a AA Stable Bond rating by *Standard & Poor's* for the Town. Stabilization funds will be retained or increased to maintain a strong financial position. Drawing down stabilization would impact the cost of bonding construction projects by creating higher interest rates. This budget does not call for the use of stabilization funds.

REVENUES

The Town's revenue sources include property taxes (67%), State Aid (22%), local receipts (7%), Sewer Use Charges (3%), and Chapter 90 transportation funds (1%). In total revenues are projected to be \$47,837,853.



Property Tax

The 2.5% property tax rate increase allowed through Proposition 2½ will provide \$663,508 in new revenue for FY13. Additional new growth of \$300,000 will create a total of \$963,598 in new property tax revenue for the Town. The total revenue to be raised through property taxes is \$31,992,249. This represents an increase of 6.5%. The balance of this increase is a result in previously approved revenues dedicated to debt service and excluded from the limitations of Proposition 2½.

The tax rate for 2012 for the Town is \$14.13 per \$1,000 of assessed value. The total assessed valuation of the Town has increased by \$51,760,396 to \$2,124,833,737. That is a 2.50% increase over 2011. The average assessed value for a single family home is \$337,700. This means that property taxes paid on the Town average single family home is \$4,772.

State Aid (Cherry Sheets)

State Aid for FY13 under the Governor's budget is projected to be \$10,437,058 in gross revenue for the Town. This provides level funding for municipal operations and an increase in Chapter 70 education funding. That is an increase of \$408,969 in gross new revenue for FY13. That amount is reduced by an additional \$71,713 in State assessments, yielding \$337,256 in net new revenues. This represents an increase of 4.08% in gross State Aid revenues.

Local Receipts

Estimated local receipts are projected to decrease by \$323,475 in FY13 due to a reduction in one-time revenue sources realized in FY12 from grants. A majority of local receipts revenue comes from motor vehicle excise, permits and licenses, as well as fees charged from the sale of bags to support our Pay-As-You-Throw (PAYT) solid waste collection program. It should be noted that local receipts dropped off in recent years and these revenues will continue to be tracked vigorously. The total revenue to be raised through local receipts is \$3,447,383. This represents a decrease of 8.58%.

Sewer Enterprise Fund

The costs of Sewer Department operations are paid from an enterprise fund. The Department charges user fees to offset facility operating costs, while long-term improvements are paid with betterments. Overall Sewer revenues are anticipated to be \$1,472,285 which is level with FY12. There are indirect costs that are charged to the sewer enterprise that offset general government operations which total \$125,000. These costs are legally required to be borne by the enterprise fund. They include property and liability insurance, workers compensation, health insurance, retirement, Medicare, gasoline costs, and management and financial support.

Chapter 90 Funds

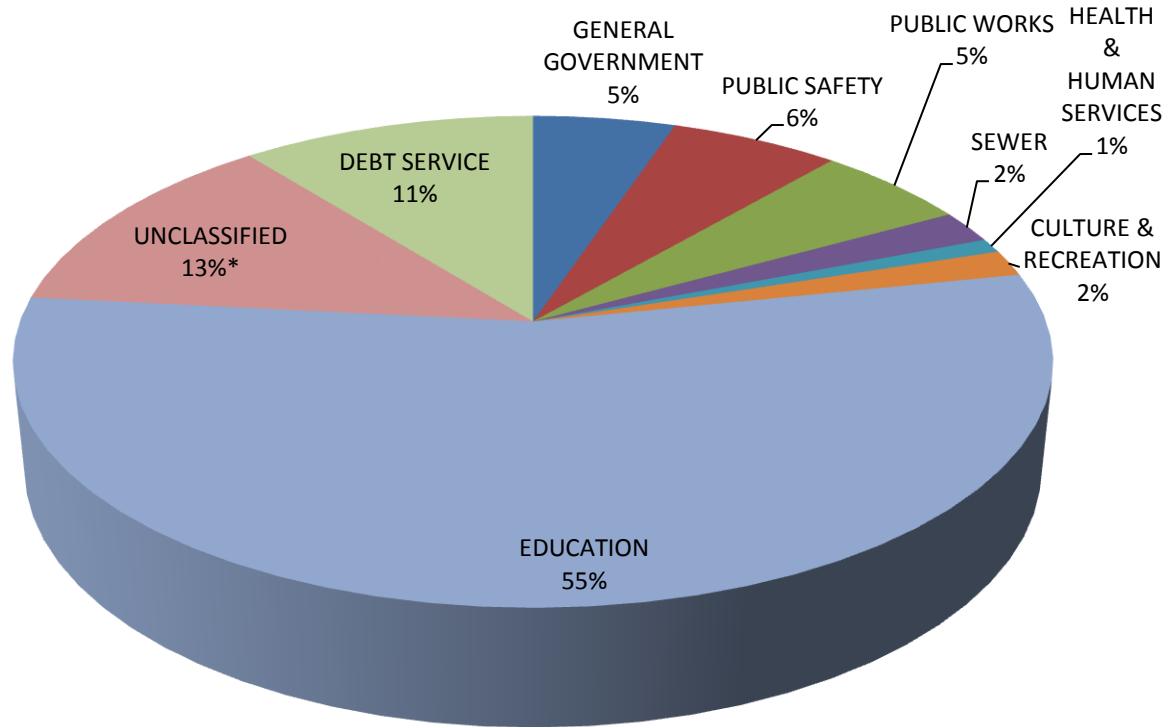
The state distributes Chapter 90 funds to municipalities to help fund construction and repair projects for local roads. However, funding has not been committed from the state at this time. The Town applies to the State for use of these funds, pays for project costs through the operating budget and then is reimbursed by the State after projects are completed. The Board of Selectmen, along with support from staff members and the DPW Advisory Committee, will make final decisions on road improvements using Chapter 90 in March. It is estimated that Grafton will receive at least \$500,000 in FY13.

EXPENDITURES

As stated above, this year's budgeted expenditures will be \$45,182,956 which is \$3,474,265 greater than FY12. This represents a 5.79% increase. In order to balance this budget, it was necessary to cut the original requests submitted by departments by \$1,399,629, and use Overlay Reserve and Free Cash. The \$250,000 of Overlay Reserve and \$27,000 of Free Cash will offset the School Department's enhancement to move to full day Kindergarten which is estimated to cost \$276,000. The balance will be funded from new revenues. We make this proposal because these funds will be used once to get the program running and Chapter 70 education funds are expected to increase for FY14 because of the full day program.

FISCAL YEAR 2013 OPERATING BUDGET			
BUDGET CATEGORY	FY13 TOWN ADMIN	% CHANGE	% of TOTAL BUDGET
General Government	\$2,344,604.00	-1.54%	5.19%
Public Safety	\$2,786,953.00	4.65%	6.17%
Public Works	\$2,532,811.00	-2.13%	5.61%
Sewer	\$961,163.00	0.66%	2.13%
Health & Human Services	\$412,419.00	-2.32%	0.91%
Culture & Recreation	\$776,028.00	2.15%	1.72%
Education	\$24,807,455.00	6.51%	54.907%
Unclassified	\$5,711,147.00	0.78%	12.64%
Debt Service	\$4,850,376.00	21.35%	12.37%
TOTAL OPERATING BUDGET	\$45,182,956.00	5.79%	100%

FY13 BUDGETED EXPENDITURES



*The Municipal budget Unclassified category includes other costs attributable to the School Department

Of the total change over FY12, two budget categories make up \$2,384,901 (96.39%) of the \$2,474,265 increase. An increase in Education of \$1,531,638 is the single largest budget category to be increased over FY12. The second largest budgetary category increase is for Debt Service at \$853,263.

Three budgetary categories have been reduced from their FY12 level. General Government has been reduced by \$36,719 (1.54%), Public Works has been reduced by \$55,036 (2.13%), and Health and Human Services has been reduced by \$9,789 (2.32%).

In the municipal sector, personnel costs are generally one of the largest expenses. However, this budget is presented with a total increase for municipal salaries and wages (not including school) of only \$37,563. That represents only 1.52% of the overall increase for FY13.

Education

FY12 BUDGET	FY13 TOWN ADMIN	\$ CHANGE	% CHANGE
\$23,275,817.00	\$24,807,455.00	\$1,531,638.00	6.58%

Education is a major priority for the town. The best communities have the best school systems. To support our goal of diverse economic development, we must continue to support our school system. However, the original request of \$2,646,000 from the School Department greatly exceeds resources available to the community. The vast majority of this request comes as a result of opening the new high school in September 2012 and from non-discretionary increases in personnel costs. The budget challenge is further compounded by the reduction of stimulus funding from the Federal Government.

The Superintendent took on the unenviable process of reorganizing and reprioritizing operations to make the school FY13 budget work with a \$1.3 million increase. The budget was able to be increased closer to the desired level primarily through the increase in revenues. The total budget for the School Department is \$24,790,736 which is \$1,531,638 greater than FY12. This represents an increase of 6.58%. Consistent with our priority for education this is the largest increase to a discretionary spending category. Education is of critical importance to the Town. Therefore, over 85% of all new revenues have been dedicated to it.

Public Safety

FY12 BUDGET	FY13 TOWN ADMIN	\$ CHANGE	% CHANGE
\$2,663,053.00	\$2,786,953.00	\$123,900.00	6.17%

Another area of critical importance to the Town is public safety. With 18 full-time sworn officers in the police department and a paid call fire department, Grafton is very fortunate in two regards. One, we have dedicated people who serve in this capacity, and two the public safety category of the budget is manageable. Those two departments make up the vast majority of the funds dedicated to public safety. Also included are the dedicated inspectors that ensure the safety of Town residents in their various areas of expertise.

The Police Chief and Fire Chief prepared detailed spending plans to ensure the public safety of the community. The increase over FY12 included the addition of one full-time sworn police officer and increased funding for firefighter wages. Unfortunately, with resources limited as they are, the police force will remain at its FY12 level and modest increases were made to the firefighter wages based upon current spending trends, namely an increase in calls for service. The total proposed expenditures for this category are \$2,786,953, which is \$123,900 greater than FY12. This represents an increase of 6.17%.

Public Works

FY12 BUDGET	FY13 TOWN ADMIN	\$ CHANGE	% CHANGE
\$2,587,847.00	\$2,532,811.00	(\$55,036.00)	(2.13%)

The public works budget category funds the maintenance of a large portion of the Town's general infrastructure including roadways, parks, and cemeteries. With the resources provided, the Town does a good job in maintaining over 110 lane miles of roadways, some of which are in need of total rebuild.

From the budget requests, the public works category was reduced by \$130,767 to a final budget proposal of \$2,532,811, which is \$55,036 less than FY12. This represents a decrease of 2.13%.

Health and Human Services

FY12 BUDGET	FY13 TOWN ADMIN	\$ CHANGE	% CHANGE
\$422,208.00	\$412,419.00	(\$9,789.00)	(2.32%)

The Board of Health and the Council on Aging are critical to the community. This category makes up less than 1% of the entire operating budget and the departments generate yearly revenues from fees and grants to further offset the operating cost.

The Health and Human Service budget category has been set at \$412,419, which is \$9,789 less than FY12. This represents a decrease of 2.32%.

Culture and Recreation

FY12 BUDGET	FY13 TOWN ADMIN.	\$ CHANGE	% CHANGE
\$759,695	\$776,028.00	\$16,333.00	2.15%

This budget category provides the resources for our recreation programs and libraries. Both programs are an asset to our community that provides meaningful programs to improve the quality of life for the residents of Grafton.

The Recreation Department runs approximately 60 programs annually, serving more than 4,500 participants. Silver Lake Beach is an enterprise within itself, offering swimming lessons, recreational swimming, and concessions. Combined activities all pay for themselves through user fees thus not further burdening the taxpayers.

General Government

FY12 BUDGET	FY13 TOWN ADMIN	\$ CHANGE	% CHANGE
\$2,381,323.00	\$2,344,604.00	(\$36,719)	(1.54%)

The General Government category is comprised of the administrative offices and staff charged with efficiently and effectively utilizing resources to meet the needs of Town residents. The administrative staff is always striving for the ultimate in customer service. Most recognizable in the General Government category are the Town Clerk, the Treasurer/Collector's Office, the Assessor's Office, and the Board of Selectmen. Despite its broad charge, General government equals 5.14% of the operating budget.

The General Government staff manages the acquisition and disposition of all goods and services, oversees all contracts, legal matters, financial matters, and personnel matters of the Town. These Departments provide staff support to Boards and Committees as necessary and actively manage the daily tasks associated with many visible projects in the Town.

The General Government category is budgeted at \$2,344,604, which is \$36,719 less than FY12. This represents a decrease of 1.54%.

Debt Service

FY12 BUDGET	FY13 TOWN ADMIN	\$ CHANGE	% CHANGE
\$3,997,113.00	\$4,850,376.00	\$853,263.00	21.35%

The Debt Service budget category has been set at \$4,850,376 to meet the Town's obligations for excluded and non-excluded principal and interest payments, which is \$853,263 greater than FY12. This represents an increase of 21.35%. The vast majority of this increase is due to the bonding of the high school project which is being issued in phases. The increase in debt service is 34.49% of the entire budgeted increase for FY13.

Unclassified

FY12 BUDGET	FY13 TOWN ADMIN	\$ CHANGE	% CHANGE
\$5,666,816.00	\$5,711,147.00	\$44,332.00	0.78%

The Unclassified budget category is mainly comprised of non-discretionary expenses of the Town including health insurance, retirement, general liability insurance, and the Town responsibility for payroll taxes as an employer. The single largest line item in this budget category is health insurance at \$3,643,763. This line item carries the Town's portion of health insurance costs for both municipal and school employees. Given the skyrocketing costs of health insurance in recent years, this line item has been subject to increases of 10% or more when comparing to previous years. However, due to detailed analysis on participation rates, appropriately managing the program design, and through

strict and prudent negotiation with the Town's health insurance provider, health insurance can be budgeted at the same level as FY12.

The Town appropriately shares the costs of health insurance with participants as follows:

% Breakdown of Town and ACTIVE EMPLOYEE Portion of Health Insurance		
PLAN	TOWN	EMPLOYEE
Health Ins Family	67.9%	32.1%
Health Ins Individual	73.3%	26.7%
PPO	50%	50%

% Breakdown of Town and RETIREE Portion of Health Insurance		
PLAN	TOWN	RETIREE
Senior Plans		
Companion Care	50%	50%
Premier Preferred	50%	50%
Medicare Supplement		
Premier	59.71%	40.29%

The Unclassified budget has been set at \$5,711,147, which is \$44,332 greater than FY12. This represents an increase of 0.78%.

Sewer

FY12 BUDGET	FY13 TOWN ADMIN	\$ CHANGE	% CHANGE
\$954,821.00	\$961,163.00	\$6,342.00	0.66%

The Sewer Department operates on an enterprise fund separate from the Town's general operating budget. An enterprise fund within a government operates much like a business, with the goal of providing services to consumers at a price that will cover the current cost of operations, the purchase and maintenance of capital improvements, and provide for future expansion. The Sewer Department utilizes user fees and betterments to cover their entire cost of operating and for debt service from various projects.

The Sewer budget has been set at \$961,163, which is \$6,342 greater than FY12. This represents an increase of 0.66%.

CAPITAL IMPROVEMENT PLAN

The Capital Improvement Plan listed below is a result of careful scrutiny and oversight of the Capital Improvement Planning Committee.

Department	Project	Funding	Source
Sewer	Replace Generators	\$500,000.00	Sewer
School	Expands SGES Parking Lot	\$230,000.00	Free Cash
Engineering	Depot St Bridge	\$210,000.00	Chapter 90
Fire	Replace Rescue 1	\$600,000.00	Free Cash
Police	Upgrade Radios	\$79,000.00	Free Cash
DPW	Replace Sweeper #35	\$170,000.00	Free Cash
Town Administrator	Telephone System	\$45,000.00	Free Cash
DPW	Replace Air Compressor #3	\$16,500.00	Free Cash
School	Replace Univents – Phase 1	\$115,000.00	Free Cash

TOWN MEETING WARRANT ARTICLES

At this point, various articles are being prepared for Town Meeting's consideration. We do anticipate articles for both the Special Town Meeting and the Annual Town Meeting.

Town Common Repairs and Maintenance - \$2,700

Unemployment Compensation - \$80,000

Long Range Sidewalk - \$10,000

Long Range Drainage - \$10,000

SUMMARY

This financial plan includes spending \$45,182,956 or \$2,474,265 more than FY12. This represents an increase of 5.79%. Revenues are expected to stay relatively flat with the exception of the allowance under Proposition 2½ and a small increase in aid from the Commonwealth of Massachusetts. Estimates for State Aid have been used based on the Governor's budget proposal published in January 2012. Therefore, this budget plan remains flexible to deal with any changes in the final State budget.

I would like to sincerely thank and recognize the Finance Team, Kevin Mizikar, Assistant Town Administrator, Patricia Fay, Accountant, Jennifer O'Neil, Assessor, and Jessica Gomez, Interim Treasurer/Collector for their support and efforts in this process.

In closing, I would like to express my appreciation for the cooperation I have received from the employees, members of the Board of Selectmen and Finance Committee who had input in the creation of this budget. I look forward to working with each of you as we prepare for FY13 and beyond.

Regards,

Timothy P. McInerney